

LIVINGSTON COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2014

LIVINGSTON COUNTY SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2014

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KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 29, 2014, on my consideration of the Livingston County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Livingston County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
October 29, 2014

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

As management of the Livingston County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$1,702,475 and the ending balance was \$2,853,809.
- The District had a combined fund balance for all governmental funds on July 1, 2012 of \$607,487. The balance increased to \$2,535,612 by June 30, 2013 and increased to \$3,236,469 by June 30, 2014. The combined revenues for all governmental funds increased from FY 13 to FY 14 primarily from an increase in tax revenues of approximately \$970,000 during FY 14. Expenditures have fluctuated from year to year. When excluding construction projects financed by bond proceeds, combined expenditures for all governmental funds increased by approximately \$340,500 during FY 14. The net position of the proprietary fund decreased from \$320,317 at July 1, 2012 to \$245,254 by June 30, 2013 then increased to \$270,100 by June 30, 2014. The increase during FY 14 was due to a combination of an increase in federal grant funds and a reduction in expenses.
- The district remains committed to increasing administration, teacher, and support staff salaries to that comparable of surrounding districts. A 1% raise was budgeted for the 2014-2015 school year.
- The General Fund had \$11,130,368 in revenue (excluding interfund transfers), which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased from the prior year by about \$635,000, primarily from tax revenues. Excluding interfund transfers, there was \$9,961,725 in General Fund expenditures. Expenditures increased from the prior year by about \$415,000, with increases in instruction, student support services, instructional staff services, plant operations and maintenance, and student transportation, while line items for district administration, school administration, and business support services decreased.
- Instruction, student transportation, and student support services accounted for 70.2% of General Fund expenditures.
- The District experienced a mid-year reduction in SEEK payments from the state (based on the difference between projected vs. final data used in the calculation).
- In facilities management, Livingston Central High School recently underwent a \$3.5 million renovation made possible through a Qualified Zone Academy bond. In addition, Livingston County Middle School has just begun a \$1.6 million renovation also made possible by a Qualified Zone Academy bond.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$9,252,389 as of June 30, 2014. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

	Net Position for the period ending	
	June 30, 2014	June 30, 2013
Current Assets	\$ 3,765,385	\$ 3,727,646
Noncurrent Assets	<u>16,134,432</u>	<u>16,010,454</u>
Total Assets	<u>\$19,899,817</u>	<u>\$19,738,100</u>
Deferred Loss from Refunding Bonds	\$ 543,427	\$ 597,770
Total Deferred Outflows of Resources	<u>\$ 543,427</u>	<u>\$ 597,770</u>
Current Liabilities	\$ 1,124,916	\$ 1,980,325
Noncurrent Liabilities	<u>10,065,939</u>	<u>10,698,836</u>
Total Liabilities	<u>\$11,190,855</u>	<u>\$12,679,161</u>
Net Investment in capital assets	\$ 5,690,288	\$ 4,777,024
Restricted	565,739	970,678
Unrestricted	<u>2,996,362</u>	<u>1,909,007</u>
Total Net Position	<u>\$ 9,252,389</u>	<u>\$ 7,656,709</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The District’s total general fund revenues for the fiscal year ended June 30, 2014, net of interfund transfers, were \$11,130,368.
- General fund budgeted revenues compared to actual revenue varied from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$1,118,780 more than budget, with most of the difference attributable to higher total local taxes than budgeted.
- The total cost of all general fund programs and services was \$9,961,725 net of debt service and construction costs.
- General fund budgeted expenditures (excluding contingency) compared to actual expenditures also varied from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted) being \$1,331,889 less than budget. The largest differences from budgeted amounts were in the functions for instruction (\$1,054,523 less than budget) and district administration (\$266,672 less than budget).
- The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments, and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$2,029,768. The revenue and related expense for these on behalf payments are not required to be budgeted.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2014, compared to the fiscal year ended June 30, 2013.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

	June 30, 2014	June 30, 2013
Program Revenues:		
Charges for Services – Food Service	\$ 173,607	\$ 226,503
Charges for Services – Governmental	19,645	24,488
Operating grants – Governmental	4,214,848	4,127,416
Operating grants – Food Service	685,404	632,172
Capital grants	<u>698,518</u>	<u>666,940</u>
Total program revenues	<u>5,792,022</u>	<u>5,677,519</u>
General Revenues:		
Taxes	5,932,958	4,961,496
Earnings on investments	2,257	1,583
State and formula grants	3,506,792	3,889,501
Gain on disposal of fixed assets	0	110,721
Miscellaneous	<u>0</u>	<u>0</u>
Total general revenues	<u>9,442,007</u>	<u>8,963,301</u>
Total Revenues	<u>15,234,029</u>	<u>14,640,820</u>
Expenses:		
Instruction	7,594,086	7,586,490
Student support services	342,569	254,972
Instructional support	435,646	397,601
District administration	536,456	680,149
School administration	688,540	728,028
Business support	296,286	314,158
Plant operations	1,383,557	1,286,127
Student transportation	1,075,346	967,168
Community services	85,109	84,009
Interest on long-term debt	359,261	333,841
Food service operation	832,500	930,171
Loss on disposal of fixed assets	3,279	3,691
Other	<u>5,714</u>	<u>42,444</u>
Total expenses	<u>13,638,349</u>	<u>13,608,849</u>
Change in net position	1,595,680	1,031,971
Beginning net position	<u>7,656,709</u>	<u>6,624,738</u>
Ending net position	<u>\$ 9,252,389</u>	<u>\$ 7,656,709</u>

General Fund

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. Total local taxes accounted for 49.9% of General Fund revenues, followed by state revenue at 49.9%, and all other revenues at .2%. The majority of the District's activities are accounted for in the General Fund.

The largest category of General Fund expenditures was for instruction (57.3%), followed by plant operations and maintenance (10.1%), student transportation (9.5%), school administration services (6.8%), instructional staff support services (5.1%), district administration support services (4.9%), student support services (3.4%), and business support services (2.9%).

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

Special Revenue Fund

The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation. Livingston County Public Schools received federal grants in the amount of \$1,255,559 and state grants in the amount of \$643,461.

Capital Project Funds

The SEEK Capital Outlay Fund and the FSPK Building Fund are restricted funds for capital projects or debt service. The District has used those funds for debt service payments. The state contributes to those funds. The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

Debt Service Funds

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the District had \$16,134,432 invested in land, buildings, and equipment. Of that amount, \$16,047,411 is in governmental activities.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$10,435,000 in bonds payable outstanding on June 30, 2014. A total of \$705,000 is due within one year.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a total budget of \$10,399,757 in the General Fund and Food Service Fund combined and a contingency of \$390,000 which is 3.8%. The beginning fund balance for the fiscal year was \$1,702,475.

Questions regarding this report should be directed to the Superintendent Darryl Chittenden, PO Box 219, 127 East Adair Street, Smithland, KY 42081.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 2,813,966	\$ 110,676	\$ 2,924,642
Accounts receivable:			
Taxes - current	127,293	0	127,293
Taxes - delinquent	39,347	0	39,347
Accounts receivable	167,184	0	167,184
Due from school activity funds	742	0	742
Intergovernmental - state	361	0	361
Intergovernmental - indirect federal	328,243	66,517	394,760
Inventory	0	26,628	26,628
Prepaid expenses	84,428	0	84,428
Total current assets	<u>3,561,564</u>	<u>203,821</u>	<u>3,765,385</u>
Noncurrent Assets:			
Capital assets	25,795,909	444,326	26,240,235
Less: Accumulated depreciation	(9,748,498)	(357,305)	(10,105,803)
Total noncurrent assets	<u>16,047,411</u>	<u>87,021</u>	<u>16,134,432</u>
TOTAL ASSETS	<u>\$ 19,608,975</u>	<u>\$ 290,842</u>	<u>\$ 19,899,817</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 706,741	\$ 0	\$ 706,741
Less: Accumulated amortization	(163,314)	0	(163,314)
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 543,427</u>	<u>\$ 0</u>	<u>\$ 543,427</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 94,191	\$ 1,566	\$ 95,757
Unearned grant revenue	229,670	0	229,670
Current portion of bond obligations	705,000	0	705,000
Plus: Current portion of bond premium	5,619	0	5,619
Less: Current portion of unamortized bond discount	(11,333)	0	(11,333)
Current portion of KSBIT payable	75,557	0	75,557
Current portion of accrued sick leave	1,234	0	1,234
Interest payable	23,412	0	23,412
Total current liabilities	<u>1,123,350</u>	<u>1,566</u>	<u>1,124,916</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	9,730,000	0	9,730,000
Plus: Noncurrent portion of unamortized bond premium	50,568	0	50,568
Less: Noncurrent portion of unamortized bond discount	(35,710)	0	(35,710)
Noncurrent portion of KSBIT payable	154,700	0	154,700
Noncurrent portion of accrued sick leave	147,205	19,176	166,381
Total noncurrent liabilities	<u>10,046,763</u>	<u>19,176</u>	<u>10,065,939</u>
TOTAL LIABILITIES	<u>\$ 11,170,113</u>	<u>20,742</u>	<u>\$ 11,190,855</u>
NET POSITION:			
Net Investment in capital assets	\$ 5,603,267	\$ 87,021	\$ 5,690,288
Restricted for:			
SFCC Escrow	45,529	0	45,529
Capital Projects	167,410	0	167,410
Debt service	128,577	0	128,577
Other	41,144	0	41,144
Food service	0	183,079	183,079
Unrestricted	2,996,362	0	2,996,362
TOTAL NET POSITION	<u>\$ 8,982,289</u>	<u>\$ 270,100</u>	<u>\$ 9,252,389</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Business-		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 7,594,086	\$ 19,645	\$ 3,308,847	\$ 698,518	\$ (3,567,076)	\$ 0	\$ (3,567,076)
Support Services:							
Student	342,569	0	78,263	0	(264,306)	0	(264,306)
Instructional Staff	435,646	0	47,231	0	(388,415)	0	(388,415)
District Administration	536,456	0	30,186	0	(506,270)	0	(506,270)
School Administration	688,540	0	92,260	0	(596,280)	0	(596,280)
Business	296,286	0	91,519	0	(204,767)	0	(204,767)
Plant operations and maintenance	1,383,557	0	52,573	0	(1,330,984)	0	(1,330,984)
Student transportation	1,075,346	0	216,898	0	(858,448)	0	(858,448)
Community service activities	85,109	0	84,831	0	(278)	0	(278)
Loss on disposal of fixed assets	1,614	0	0	0	(1,614)	0	(1,614)
Interest on long-term debt	359,261	0	212,240	0	(147,021)	0	(147,021)
Other debt service	5,714	0	0	0	(5,714)	0	(5,714)
Total governmental activities	12,804,184	19,645	4,214,848	698,518	(7,871,173)	0	(7,871,173)
Business-Type Activities:							
Food service	832,500	173,607	685,404	0	0	26,511	26,511
Loss on disposal of fixed assets	1,665	0	0	0	0	(1,665)	(1,665)
Total business-type activities	834,165	173,607	685,404	0	0	24,846	24,846
Total primary government	\$ 13,638,349	\$ 193,252	\$ 4,900,252	\$ 698,518	(7,871,173)	24,846	(7,846,327)
General Revenues:							
Taxes:							
Property					2,678,754	0	2,678,754
Motor Vehicle					695,836	0	695,836
Utilities					614,249	0	614,249
In Lieu of					1,944,119	0	1,944,119
Earnings on Investments					2,257	0	2,257
State and formula grants					3,506,792	0	3,506,792
Change in net position					1,570,834	24,846	1,595,680
Net position at July 1, 2013, as restated					7,411,455	245,254	7,656,709
Net position at June 30, 2014					\$ 8,982,289	\$ 270,100	\$ 9,252,389

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 2,430,632	\$ 0	\$ 383,334	\$ 2,813,966
Accounts receivable:				
Taxes - current	127,293	0	0	127,293
Taxes - delinquent	39,347	0	0	39,347
Accounts receivable	164,148	3,036	0	167,184
Due from other funds	94,543	0	0	94,543
Due from school activity funds	742	0	0	742
Intergovernmental - state	361	0	0	361
Intergovernmental - indirect federal	0	328,243	0	328,243
Prepaid expenses	84,428	0	0	84,428
TOTAL ASSETS AND RESOURCES	<u><u>\$ 2,941,494</u></u>	<u><u>\$ 331,279</u></u>	<u><u>\$ 383,334</u></u>	<u><u>\$ 3,656,107</u></u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 86,451	\$ 7,066	\$ 674	\$ 94,191
Due to other funds	0	94,543	0	94,543
Unearned grant revenue	0	229,670	0	229,670
Current portion of accrued sick leave	1,234	0	0	1,234
TOTAL LIABILITIES	<u>87,685</u>	<u>331,279</u>	<u>674</u>	<u>419,638</u>
FUND BALANCES:				
Nonspendable:				
Prepaid expenses	84,428	0	0	84,428
Restricted:				
KSFCC escrow	0	0	45,529	45,529
Construction projects	0	0	167,410	167,410
Debt service	0	0	128,577	128,577
Other	0	0	41,144	41,144
Unassigned	2,769,381	0	0	2,769,381
TOTAL FUND BALANCES	<u>2,853,809</u>	<u>0</u>	<u>382,660</u>	<u>3,236,469</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,941,494</u></u>	<u><u>\$ 331,279</u></u>	<u><u>\$ 383,334</u></u>	<u><u>\$ 3,656,107</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET POSITION**
 June 30, 2014

Total fund balance per fund financial statements		\$ 3,236,469
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	25,795,909	
Accumulated depreciation	<u>(9,748,498)</u>	16,047,411
Deferred loss from refunding bonds that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
		543,427
Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
		(23,412)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(10,444,144)	
KSBIT payable	(230,257)	
Accrued sick leave payable	<u>(147,205)</u>	<u>(10,821,606)</u>
Net position of governmental activities		<u><u>\$ 8,982,289</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,319,165	\$ 0	\$ 359,589	\$ 2,678,754
Motor Vehicle	695,836	0	0	695,836
Utilities	614,249	0	0	614,249
In Lieu of	1,926,602	0	0	1,926,602
Tuition	8,320	0	0	8,320
Earnings on Investments	794	0	1,463	2,257
Other local revenues	5,522	73,820	0	79,342
Intergovernmental - State	5,554,077	643,461	807,472	7,005,010
Intergovernmental - indirect federal	5,803	1,255,559	0	1,261,362
Intergovernmental - direct federal	0	0	103,286	103,286
TOTAL REVENUES	11,130,368	1,972,840	1,271,810	14,375,018
EXPENDITURES:				
Current:				
Instruction	5,706,150	1,813,773	0	7,519,923
Support Services:				
Student	340,758	0	0	340,758
Instructional Staff	503,977	0	0	503,977
District Administration	488,305	0	0	488,305
School Administration	680,541	0	0	680,541
Business	286,068	0	0	286,068
Plant operations and maintenance	1,008,223	0	0	1,008,223
Student transportation	947,703	91,545	0	1,039,248
Community service activities	0	84,831	0	84,831
Facilities acquisition and construction	0	0	620,190	620,190
Debt service	0	0	1,102,097	1,102,097
TOTAL EXPENDITURES	9,961,725	1,990,149	1,722,287	13,674,161
Excess (deficit) of revenues over expenditures	1,168,643	(17,309)	(450,477)	700,857
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	17,309	562,477	579,786
Operating transfers out	(17,309)	0	(562,477)	(579,786)
TOTAL OTHER FINANCING SOURCES (USES)	(17,309)	17,309	0	0
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	1,151,334	0	(450,477)	700,857
Fund Balance, July 1, 2013	1,702,475	0	833,137	2,535,612
Fund Balance, June 30, 2014	\$ 2,853,809	\$ 0	\$ 382,660	\$ 3,236,469

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2014

Net change in total governmental fund balances per fund financial statements		\$ 700,857
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense is exceeded by capital outlays for the year.

Depreciation expense	(652,049)	
Capital outlays	<u>800,563</u>	148,514

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Loss on the disposal of fixed assets	<u>(1,614)</u>	(1,614)
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Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal paid	<u>795,000</u>	795,000
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Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

Amortization of bond discounts	(11,333)	
Amortization of bond premium	5,619	
Amortization of deferred loss on early retirement of debt	<u>(54,343)</u>	(60,057)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	2,179	
Accrued sick leave	<u>(14,045)</u>	<u>(11,866)</u>

Change in net position of governmental activities		<u><u>\$ 1,570,834</u></u>
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Food Service Fund
<hr/>	
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 110,676
Inventory	26,628
Accounts receivable:	
Intergovernmental - indirect federal	66,517
	<hr/>
Total current assets	203,821
	<hr/>
Noncurrent Assets	
Capital assets	444,326
Less: accumulated depreciation	(357,305)
	<hr/>
Total noncurrent assets	87,021
	<hr/>
TOTAL ASSETS	\$ 290,842
	<hr/> <hr/>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 1,566
	<hr/>
Total current liabilities	1,566
	<hr/>
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	19,176
	<hr/>
Total noncurrent liabilities	19,176
	<hr/>
TOTAL LIABILITIES	\$ 20,742
	<hr/> <hr/>
Net Position	
Net investment in capital assets	\$ 87,021
Restricted for food service	183,079
	<hr/>
Total net position	\$ 270,100
	<hr/> <hr/>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 173,451
Other operating revenues	156
	<hr/>
Total operating revenues	173,607
	<hr/>
Operating Expenses:	
Salaries and benefits	431,573
Contract services	16,764
Materials and supplies	359,263
Depreciation	21,257
Other operating expenses	3,643
	<hr/>
Total operating expenses	832,500
	<hr/>
Operating income (loss)	(658,893)
	<hr/>
Non-Operating Revenues (Expenses):	
Federal grants	578,247
Donated commodities	42,610
State grants	64,547
Loss on disposal of assets	(1,665)
	<hr/>
Total non-operating revenues	683,739
	<hr/>
Change in net position	24,846
	<hr/>
Net Position, July 1, 2013	245,254
	<hr/>
Net Position, June 30, 2014	\$ 270,100
	<hr/> <hr/>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 173,451
Other operating revenues	424
Cash paid to/for:	
Employees	(375,148)
Contract services	(20,831)
Materials and supplies	(316,290)
Expendable equipment	(6,108)
Other operating expenses	(3,643)
Net cash provided by (used in) operating activities	<u>(548,145)</u>
Cash Flows from Non-Capital Financing Activities:	
Operating grants received	554,936
Net cash provided by (used in) non-capital financing activities	<u>554,936</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(27,521)
Net cash provided by (used in) capital and related financing activities	<u>(27,521)</u>
Net increase (decrease) in cash and cash equivalents	(20,730)
Cash and cash equivalents, July 1, 2013	<u>131,406</u>
Cash and cash equivalents, June 30, 2014	<u><u>\$ 110,676</u></u>
Reconciliation of operating income (loss)	
to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (658,893)
Adjustments to reconcile operating income (loss) to	
net cash provided by (used in) operating activities:	
Depreciation	21,257
On-behalf payments	57,095
Commodities used	42,610
Changes in assets and liabilities:	
Accounts receivable	268
Inventory	1,954
Accounts payable	(11,766)
Accrued sick leave	(670)
Net cash provided by (used in) operating activities	<u><u>\$ (548,145)</u></u>
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 42,610
On-behalf payments	57,095
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 99,705</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose Trust Funds	Agency Fund
ASSETS:		
Cash and cash equivalents	\$ 141,542	\$ 153,656
Accounts receivable	<u>0</u>	<u>2,116</u>
Total Assets	<u><u>\$ 141,542</u></u>	<u><u>\$ 155,772</u></u>
LIABILITIES:		
Accounts payable	\$ 0	\$ 22,022
Due to Board General Fund	0	742
Due to student groups	<u>0</u>	<u>133,008</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 155,772</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 141,542</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 645
	<u> </u>
Total Additions	<u> 645</u>
Deductions:	
Benefits paid	<u> 4,500</u>
	<u> </u>
Total Deductions	<u> 4,500</u>
Change in net position	(3,855)
Net position, July 1, 2013	<u> 145,397</u>
Net position, June 30, 2014	<u><u> \$ 141,542</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2014

NOTE A – REPORTING ENTITY

The Livingston County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Livingston County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Livingston County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Livingston County School District Finance Corporation – In 1989, the Livingston County Board of Education resolved to authorize the establishment of the Livingston County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Livingston County Board of Education also comprise the Corporation's Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 47. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$42,610 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.446 per \$100 valuation for real property, \$.446 per \$100 valuation for business personal property and \$.446 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2014 consisted of property, workers' compensation, and performance bonds paid during the fiscal year ended June 30, 2014 that included coverage for periods beyond June 30, 2014.

Debt Costs

Unamortized discounts of \$47,043, and unamortized premiums of \$56,187 are included in the government-wide statements. Discounts and premiums are amortized over the lives of the related debt issues using the straight-line method.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July, 2012 meeting, the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements and leasehold improvements. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2014.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Impact of Recently Issued Accounting Pronouncements

In March, 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement became effective for financial statements for periods beginning after December 15, 2012. The effect on the current year financial statements was to reclassify unamortized bond issue costs (previously reported as other assets). The amount that had been reported on the June 30, 2013 financial statements as unamortized bond issue costs was \$107,315. The beginning unrestricted net position was re-stated to reduce it by \$107,315.

In June, 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. With the implementation of GASB Statement 68, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). Employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014. These amounts are not being calculated for the year ended June 30, 2014, but could have a significant impact in the year of implementation, which will be the fiscal year ending June 30, 2015.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through October 29, 2014, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's cash and cash equivalents was \$3,219,840. The bank balance was \$3,845,386. Of the bank balance, \$507,927 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$3,337,459 was uninsured and collateralized with securities held by the pledging banks' agent, in the District's name.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets:				
Land	\$ 263,559	\$ 0	\$ 0	\$ 263,559
Land improvements	794,134	0	0	794,134
Buildings and improvements	17,455,145	19,500	0	17,474,645
Technology equipment	1,238,648	86,201	194,202	1,130,647
Vehicles	2,169,446	57,882	0	2,227,328
General Equipment	500,823	16,790	28,958	488,655
Construction	2,796,751	620,190	0	3,416,941
Totals at historical cost	<u>25,218,506</u>	<u>800,563</u>	<u>223,160</u>	<u>25,795,909</u>
Less: Accumulated depreciation				
Land improvements	478,652	29,587	0	508,239
Buildings and improvements	5,794,060	358,509	0	6,152,569
Technology equipment	993,479	132,175	193,692	931,962
Vehicles	1,723,058	102,458	0	1,825,516
General Equipment	328,746	29,320	27,854	330,212
Total accumulated depreciation	<u>9,317,995</u>	<u>652,049</u>	<u>221,546</u>	<u>9,748,498</u>
Governmental Activities Capital Assets - Net	<u>\$ 15,900,511</u>	<u>\$ 148,514</u>	<u>\$ 1,614</u>	<u>\$ 16,047,411</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 5,551	\$ 0	\$ 0	\$ 5,551
General Equipment	432,088	27,521	20,834	438,775
Construction	27,521	0	27,521	0
Totals at historical cost	<u>465,160</u>	<u>27,521</u>	<u>48,355</u>	<u>444,326</u>
Less: Accumulated depreciation				
Technology equipment	1,739	1,159	0	2,898
General Equipment	353,478	20,098	19,169	354,407
Total accumulated depreciation	<u>355,217</u>	<u>21,257</u>	<u>19,169</u>	<u>357,305</u>
Business-Type Activities Capital Assets - Net	<u>\$ 109,943</u>	<u>\$ 6,264</u>	<u>\$ 29,186</u>	<u>\$ 87,021</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 104,507
Student support services	1,811
Instructional staff support services	4,316
District administration	34,106
School administrative support	7,999
Business support	10,218
Plant operation and maintenance	394,834
Student transportation	93,980
Community services	278
Total depreciation expense	<u>\$ 652,049</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Livingston County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Livingston County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2014:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
June 1, 2004	June 1, 2015	2.000% - 4.800%	\$ 495,000
June 1, 2009	June 1, 2019	2.000% - 3.000%	615,000
February 1, 2012	June 1, 2024	1.000% - 2.500%	6,145,000
December 11, 2012	December 1, 2032	3.500%	3,180,000
			<u>\$ 10,435,000</u>

In 1987 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In February, 2012, the District issued bonds to advance refund a portion of the outstanding 2003 School Building Revenue bonds that were scheduled to mature on or after June 1, 2013 and a portion of the outstanding 2004 School Building Revenue bonds that are scheduled to mature on or after June 1, 2014. The defeased bonds were paid during the year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds, which is thirteen years for the portion relating to the 2003 issue and twelve years for the portion relating to the 2004 issue. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$706,741. Amortization for the year was \$54,343 and is included as a component of interest expense.

On December 11, 2012, the District issued \$3,180,000 in Qualified Zone Academy Bonds pursuant to Section 54 of the Internal Revenue Code, to finance capital projects at Livingston County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual sinking fund payments to be held in escrow at US Bank. Such payments will be held in trust and invested at an interest rate of 2.297% in accordance with the funding agreement. The final semi-annual payment is due December 1, 2032, at which time the bond will mature and the principal will be paid in full from the escrow account. The District is scheduled to receive a direct subsidy from the federal government on each interest payment date for its interest costs. The interest subsidy payments are included in interest expense on the financial statements. These payments are disclosed below.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are as follows:

Year	Livingston County School District			Kentucky School Facility Construction Commission		Total
	Principal	Interest	Federal Subsidy	Principal	Interest	
2014-2015	\$ 336,777	\$ 186,909	\$ (111,300)	\$ 368,223	\$ 94,038	\$ 874,647
2015-2016	342,883	175,093	(111,300)	382,117	80,144	868,937
2016-2017	355,241	167,086	(111,300)	389,759	72,502	873,288
2017-2018	362,445	158,731	(111,300)	397,555	64,707	872,138
2018-2019	369,494	150,232	(111,300)	405,506	56,755	870,687
2019-2020	386,384	141,542	(111,300)	413,616	48,645	878,887
2020-2021	398,112	133,815	(111,300)	421,888	40,373	882,888
2021-2022	403,621	124,857	(111,300)	431,379	30,881	879,438
2022-2023	198,913	115,776	(111,300)	441,087	21,174	665,650
2023-2024	0	111,300	(111,300)	450,000	11,250	461,250
2024-2025	0	111,300	(111,300)	0	0	0
2025-2026	0	111,300	(111,300)	0	0	0
2026-2027	0	111,300	(111,300)	0	0	0
2027-2028	0	111,300	(111,300)	0	0	0
2028-2029	0	111,300	(111,300)	0	0	0
2029-2030	0	111,300	(111,300)	0	0	0
2030-2031	0	111,300	(111,300)	0	0	0
2031-2032	0	111,300	(111,300)	0	0	0
2032-2033	749,198	55,650	(55,650)	2,430,802	0	3,180,000
	<u>\$ 3,903,068</u>	<u>\$ 2,411,391</u>	<u>\$ (2,059,050)</u>	<u>\$ 6,531,932</u>	<u>\$ 520,469</u>	<u>\$ 11,307,810</u>

As discussed in Note P, the District has signed an installment payment agreement with the Kentucky Department of Insurance to finance an assessment for workers compensation in the amount of \$110,305 and property and liability in the amount of \$119,952. The District agreed to pay 25% of the workers compensation assessment (\$27,576) and 40% of the property and liability assessment (\$47,981) by August 31, 2014 and September 15, 2014, respectively, and the remainder will be paid will be in equal annual installments of \$77,350 over the following two fiscal years. The agreement does not bear interest, unless payments are not made when due. In the event a payment is not paid when due, the past due payment will accrue interest at 12% until paid.

Interest expense paid for fiscal year ended June 30, 2014 was \$307,098 including \$103,286 in federal subsidy payments on the 2012 Qualified Zone Academy Bonds.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Bonds payable	\$ 11,230,000	\$ 0	\$ 795,000	\$ 10,435,000	\$ 705,000
Less: Unamortized discounts	(58,376)	0	(11,333)	(47,043)	(11,333)
Unamortized premiums	61,806	0	5,619	56,187	5,619
KSBIT payable	230,257	0	0	230,257	75,557
Sick leave	138,244	10,195	0	148,439	1,234
Totals	<u>\$ 11,601,931</u>	<u>\$ 10,195</u>	<u>\$ 789,286</u>	<u>\$ 10,822,840</u>	<u>\$ 776,077</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE G – RETIREMENT PLANS

Plan Descriptions

The Livingston County School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employees' Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employees' Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy

Contribution rates are established by KRS. Members of KTRS are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Livingston County School District provides a contribution of 18.89% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.5% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of members' salary for the 2013-2014 fiscal year.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE G – RETIREMENT PLANS – CONTINUED

The Livingston County School District's total payroll for the year was \$7,410,352. The payroll for employees covered under KTRS was \$5,701,147 and for CERS was \$1,628,396. For the year ended June 30, 2014, the Commonwealth contributed \$699,386 to KTRS for the benefit of participating employees. The District's contribution to KTRS for the year ended June 30, 2014, was \$65,870, which represents those employees covered by federal programs. The contributions required and paid to KTRS by the District for the years ended June 30, 2013 and 2012 were \$79,911 and \$62,464. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2014 was \$388,880 which consisted of \$307,605 from the Board and \$81,275 from the employees. The contributions required and paid to CERS for the years ended June 30, 2013 and 2012 were \$393,225 and \$348,520 respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2014:

Contributions to Kentucky Teachers' Retirement System	\$ 699,386
Technology	43,942
SFCC Debt Service	666,726
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,343,535</u>
Total	\$ <u>2,753,589</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 1,512,383
Support services:	
Student	78,263
Instructional staff	47,231
District administration	30,186
School administration	92,260
Business	91,519
Plant operations and maintenance	52,573
Student transportation	125,353
Debt service	666,726
Food services	<u>57,095</u>
Total	\$ <u>2,753,589</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE I – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE J – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K – COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION

During the prior year, the District approved a contract with an architect for services related to major renovations at the middle school. The amount of the contract with the architect was \$110,500. As of the balance sheet date, \$86,520 had been paid toward this contract. During the current year, the District approved a BG-1 form and a contract with a construction company for this project. The amount of the contract with the construction company was \$1,389,130. No amounts have been paid toward this contract. Subsequent to year end, the District moved forward with issuing Qualified Zone Academy bonds to fund the renovations.

During the prior year, the District approved a contract with a contractor to begin the renovations at the high school. The original contract was \$2,529,077. Change orders increased the amount to \$2,640,806. As of the balance sheet date, \$2,620,806 had been completed and is included in the statement of net position as construction in progress. The remaining amount of \$20,000 was paid subsequent to year end.

NOTE M – TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 17,309
Operating	Capital Outlay	Debt Service	Debt Service	67,037
Operating	Building	Debt Service	Debt Service	495,440

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2014, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 94,543	\$ 0
Agency Fund	742	0
Special Revenue Fund:		
General Fund	0	94,543
Agency Fund:		
General Fund	0	742

NOTE O – LITIGATION

The District is subject to legal action, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the case presently in progress.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2014

NOTE P – PRIOR PERIOD ADJUSTMENTS

GASB Statement 65 required changes to the beginning balances of the District-Wide Statement of Net Position. Beginning net position of the governmental activities was decreased by \$107,315 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements.

The District previously participated in the Kentucky School Boards Insurance Trust (KSBIT) public entity risk pool. In January, 2013, officials for KSBIT announced the dissolution of the trust, as well as their plans to collect the accumulated deficit by assessing each of the school districts that procured general liability, property, and workers compensation insurance coverage from KSBIT in the deficit years. Any school district which was a policy holder in the workers compensation pool from 1990 to 2011, and any district which was a policy holder in the property and general liability pool from 1993 to 2011, were subject to the assessment. The formula for the assessment was based upon the school district's length of service in KSBIT, the premiums paid, and the numbers of claims made that were attributable to the school district. As of June 30, 2013, KSBIT had submitted a plan to the Kentucky Department of Insurance using a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount and would continue making claims payments. The Kentucky Department of Insurance had not approved the plan as of June 30, 2013 and until the plan was approved, no assessment was finalized and no amount was accrued in the financial statements. Subsequent to June 30, 2014, the Board was notified of the assessment amount of \$230,257 and signed an agreement to pay that amount over a three year period. Beginning net position of the governmental activities was decreased by \$230,257 to record this liability as a prior period adjustment.

Net Position, Beginning of Year, as Originally Stated	\$ 7,749,027
Adjustments for Prior Period:	
Implementation of GASB 65, elimination of bond issuance costs	(107,315)
Record KSBIT assessment as long-term liability	<u>(230,257)</u>
Net Position, Beginning of Year, as Restated	<u>\$ 7,411,455</u>

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,380,000	\$ 2,380,000	\$ 2,319,165	\$ (60,835)
Motor Vehicle	425,000	425,000	695,836	270,836
Utilities	450,000	450,000	614,249	164,249
In Lieu of	975,000	975,000	1,926,602	951,602
Tuition	0	8,320	8,320	0
Earnings on Investments	0	0	794	794
Other local revenues	0	0	5,522	5,522
Intergovernmental - State	3,739,500	3,739,500	5,554,077	1,814,577
Intergovernmental - indirect federal	4,000	4,000	5,803	1,803
TOTAL REVENUES	<u>7,973,500</u>	<u>7,981,820</u>	<u>11,130,368</u>	<u>3,148,548</u>
EXPENDITURES:				
Current:				
Instruction	4,552,389	5,248,290	5,706,150	(457,860)
Support Services:				
Student	225,428	288,333	340,758	(52,425)
Instructional Staff	410,107	469,157	503,977	(34,820)
District Administration	597,091	724,791	488,305	236,486
School Administration	600,991	600,991	680,541	(79,550)
Business	208,490	208,490	286,068	(77,578)
Plant operations and maintenance	822,910	822,910	1,008,223	(185,313)
Student transportation	830,584	900,884	947,703	(46,819)
Contingency	275,060	390,000	0	390,000
TOTAL EXPENDITURES	<u>8,523,050</u>	<u>9,653,846</u>	<u>9,961,725</u>	<u>(307,879)</u>
Excess (deficit) of revenues over expenditures	<u>(549,550)</u>	<u>(1,672,026)</u>	<u>1,168,643</u>	<u>2,840,669</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(30,450)</u>	<u>(30,450)</u>	<u>(17,309)</u>	<u>13,141</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(30,450)</u>	<u>(30,450)</u>	<u>(17,309)</u>	<u>13,141</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(580,000)</u>	<u>(1,702,476)</u>	<u>1,151,334</u>	<u>2,853,810</u>
Fund Balance, July 1, 2013	<u>580,000</u>	<u>1,702,476</u>	<u>1,702,475</u>	<u>(1)</u>
Fund Balance, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,853,809</u>	<u>\$ 2,853,809</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,029,768 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 749	\$ 215,951	\$ 73,820	\$ (142,131)
Intergovernmental - State	407,963	422,256	643,461	221,205
Intergovernmental - Indirect federal	425,984	1,740,455	1,255,559	(484,896)
TOTAL REVENUES	<u>834,696</u>	<u>2,378,662</u>	<u>1,972,840</u>	<u>(405,822)</u>
EXPENDITURES:				
Current:				
Instruction	788,639	2,232,721	1,813,773	418,948
Support Services:				
Student transportation	0	57,140	91,545	(34,405)
Community service activities	76,507	115,593	84,831	30,762
TOTAL EXPENDITURES	<u>865,146</u>	<u>2,405,454</u>	<u>1,990,149</u>	<u>415,305</u>
Excess (deficit) of revenues over expenditures	<u>(30,450)</u>	<u>(26,792)</u>	<u>(17,309)</u>	<u>9,483</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	30,450	22,601	17,309	(5,292)
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,450</u>	<u>22,601</u>	<u>17,309</u>	<u>(5,292)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	(4,191)	0	4,191
Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2014	<u>\$ 0</u>	<u>\$ (4,191)</u>	<u>\$ 0</u>	<u>\$ 4,191</u>

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 45,529	\$ 41,144	\$ 168,084	\$ 128,577	\$ 383,334
TOTAL ASSETS AND RESOURCES	<u>\$ 45,529</u>	<u>\$ 41,144</u>	<u>\$ 168,084</u>	<u>\$ 128,577</u>	<u>\$ 383,334</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 0	\$ 0	\$ 674	\$ 0	\$ 674
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>674</u>	<u>0</u>	<u>674</u>
EQUITY AND FUND BALANCES:					
Restricted:					
KSFCC escrow	45,529	0	0	0	45,529
Construction projects	0	0	167,410	0	167,410
Debt service	0	0	0	128,577	128,577
Other	0	41,144	0	0	41,144
TOTAL FUND BALANCES	<u>45,529</u>	<u>41,144</u>	<u>167,410</u>	<u>128,577</u>	<u>382,660</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,529</u>	<u>\$ 41,144</u>	<u>\$ 168,084</u>	<u>\$ 128,577</u>	<u>\$ 383,334</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 359,589	\$ 0	\$ 0	\$ 0	\$ 359,589
Earnings on Investments	0	0	0	1,463	1,463
Intergovernmental - State	32,565	108,181	0	666,726	807,472
Intergovernmental - Direct federal	103,286	0	0	0	103,286
TOTAL REVENUES	<u>495,440</u>	<u>108,181</u>	<u>0</u>	<u>668,189</u>	<u>1,271,810</u>
EXPENDITURES:					
Facilities acquisition and construction	0	0	620,190	0	620,190
Debt service	0	0	0	1,102,097	1,102,097
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>620,190</u>	<u>1,102,097</u>	<u>1,722,287</u>
Excess (deficit) of revenues over expenditures	<u>495,440</u>	<u>108,181</u>	<u>(620,190)</u>	<u>(433,908)</u>	<u>(450,477)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	0	562,477	562,477
Operating transfers out	(495,440)	(67,037)	0	0	(562,477)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(495,440)</u>	<u>(67,037)</u>	<u>0</u>	<u>562,477</u>	<u>0</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>41,144</u>	<u>(620,190)</u>	<u>128,569</u>	<u>(450,477)</u>
Fund Balance, July 1, 2013	<u>45,529</u>	<u>0</u>	<u>787,600</u>	<u>8</u>	<u>833,137</u>
Fund Balance, June 30, 2014	<u>\$ 45,529</u>	<u>\$ 41,144</u>	<u>\$ 167,410</u>	<u>\$ 128,577</u>	<u>\$ 382,660</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2014

	2003 BONDS FUND	2004 BONDS FUND	2009R BONDS FUND	2012R BONDS FUND	2012Q BONDS FUND	Totals Debt service Fund
REVENUES:						
From local sources:						
Earnings on investments	\$ 0	\$ 0	\$ 1	\$ 0	\$ 1,462	\$ 1,463
Intergovernmental - State	0	309,281	107,476	152,980	96,989	666,726
TOTAL REVENUES	0	309,281	107,477	152,980	98,451	668,189
EXPENDITURES:						
Debt Service:						
Principal	10,000	480,000	220,000	85,000	0	795,000
Interest	340	40,470	23,250	131,737	111,300	307,097
TOTAL EXPENDITURES	10,340	520,470	243,250	216,737	111,300	1,102,097
Excess (deficit) of revenues over expenditures	(10,340)	(211,189)	(135,773)	(63,757)	(12,849)	(433,908)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	10,340	211,189	135,772	63,756	141,420	562,477
TOTAL OTHER FINANCING SOURCES (USES)	10,340	211,189	135,772	63,756	141,420	562,477
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	(1)	(1)	128,571	128,569
Fund balance July 1, 2013	0	5	2	1	0	8
Fund balance June 30, 2014	\$ 0	\$ 5	\$ 1	\$ 0	\$ 128,571	\$ 128,577

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS
June 30, 2014

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston Central High School	Totals (Memorandum Only)
ASSETS:					
Cash and cash equivalents	\$ 13,430	\$ 34,881	\$ 25,797	\$ 79,548	\$ 153,656
Accounts Receivable	232	1,148	437	299	2,116
TOTAL ASSETS	<u>\$ 13,662</u>	<u>\$ 36,029</u>	<u>\$ 26,234</u>	<u>\$ 79,847</u>	<u>\$ 155,772</u>
LIABILITIES:					
Accounts Payable	\$ 3,592	\$ 1,215	\$ 1,850	\$ 15,365	\$ 22,022
Due to Board	0	742	0	0	742
Due to Student Groups	10,070	34,072	24,384	64,482	133,008
TOTAL LIABILITIES	<u>\$ 13,662</u>	<u>\$ 36,029</u>	<u>\$ 26,234</u>	<u>\$ 79,847</u>	<u>\$ 155,772</u>
NET POSITION HELD IN TRUST	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS**
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2014

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum only)
REVENUES:					
From local sources:					
Student activities	\$ 37,670	\$ 71,284	\$ 53,604	\$ 179,081	\$ 341,639
Total Revenues	37,670	71,284	53,604	179,081	341,639
EXPENDITURES					
Student Activities	36,369	74,223	48,061	166,495	325,148
Total expenditures	36,369	74,223	48,061	166,495	325,148
Excess (deficit) of revenues over expenditures	1,301	(2,939)	5,543	12,586	16,491
Due to student groups, July 1, 2013	8,769	37,011	18,841	51,896	116,517
Due to student groups, June 30, 2014	<u>\$ 10,070</u>	<u>\$ 34,072</u>	<u>\$ 24,384</u>	<u>\$ 64,482</u>	<u>\$ 133,008</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS
LIVINGSTON CENTRAL HIGH SCHOOL
For the Year Ended June 30, 2014

	Cash Balance July 1, 2013	Cash Receipts	Cash Disbursements
Girls Regional	\$ 0.00	\$ 2,300.33	\$ 2,300.33
Volleyball	0.00	3,075.75	2,575.15
Golf	0.00	37.24	37.24
Class A Volleyball	70.00	60.16	0.00
Cardinal Café	10.00	425.00	351.00
General Fund	4,182.06	25,786.90	27,226.11
PP School Store	92.44	192.00	0.00
Student Emergency	594.69	110.00	319.73
Class "A" Girls Tournament	300.00	0.00	0.00
Friends of Rachel	68.00	0.00	0.00
Textbook	16,197.00	14,174.37	6,095.82
Student Incentives	4.44	25.00	7.54
Donations	1.57	0.00	0.00
Staff Account	435.54	1,227.67	1,030.84
FEA	295.00	0.00	0.00
Art Club	914.97	0.00	0.00
Beta Club	1,868.41	859.93	574.88
FBLA	1,201.62	7,457.60	6,377.99
FCA	264.37	160.00	137.72
FCCLA	94.00	0.00	0.00
FFA	3,368.51	17,138.73	18,070.66
Science Club	0.00	2,179.90	1,879.78
TLC	751.81	648.00	0.00
Spirit Club	554.01	516.00	650.49
Student Council	1,427.49	855.00	871.57
Skills USA	0.57	0.00	0.00
Spanish Club	761.32	611.75	399.40
Agriculture	2.78	102.60	0.00
Choir & Music	498.65	1,194.00	1,640.98
Drama	56.80	0.00	0.00
Photography Club	74.00	105.00	0.00
STLP	1,891.29	0.00	1,329.06
Diesel Mechanics	337.91	0.00	0.00
Family & Consumer Science	740.99	0.00	0.00
Signs	782.59	1,426.00	1,468.01
Math	188.67	857.00	941.16
Technology Education	0.00	2,503.65	2,261.36
LCHS Sportsman Club	629.80	442.00	638.50
Welding	215.22	0.00	0.00
Athletics	10,035.99	35,300.92	43,698.81
Cheerleaders	904.76	10,914.38	10,130.11
Yearbook	0.00	23,256.00	5,596.28
Concessions	0.00	11,277.71	7,990.97
Baseball	0.00	4,824.00	4,740.00
Scholarship Account	100.00	0.00	0.00
Softball	0.00	0.00	0.00
Boys Basketball	513.12	2,148.75	1,870.00
Track	0.00	3,475.52	3,475.50
Girls Basketball	662.06	0.00	33.94
Class of 2012	1,172.00	0.00	1,172.00
Class of 2013	3,246.28	0.00	121.65
Class of 2014	1,596.50	2,405.00	4,001.50
Class of 2015	0.00	8,294.08	3,910.94
Subtotal	<u>57,107.23</u>	<u>186,367.94</u>	<u>163,927.02</u>
Less: Interfund Transfers	0.00	7,472.90	7,472.90
Total	<u>\$ 57,107.23</u>	<u>\$ 178,895.04</u>	<u>\$ 156,454.12</u>

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	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Due to June 30, 2014
Girls Regional	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Volleyball	500.60	0.00	0.00	500.60
Golf	0.00	0.00	0.00	0.00
Class A Volleyball	130.16	0.00	0.00	130.16
Cardinal Café	84.00	0.00	0.00	84.00
General Fund	2,742.85	220.49	393.01	2,570.33
PP School Store	284.44	0.00	89.09	195.35
Student Emergency	384.96	0.00	0.00	384.96
Class "A" Girls Tournament	300.00	0.00	0.00	300.00
Friends of Rachel	68.00	0.00	0.00	68.00
Textbook	24,275.55	0.00	2,707.25	21,568.30
Student Incentives	21.90	0.00	0.00	21.90
Donations	1.57	0.00	0.00	1.57
Staff Account	632.37	78.12	66.35	644.14
FEA	295.00	0.00	0.00	295.00
Art Club	914.97	0.00	0.00	914.97
Beta Club	2,153.46	0.00	0.00	2,153.46
FBLA	2,281.23	0.00	294.23	1,987.00
FCA	286.65	0.00	0.00	286.65
FCCLA	94.00	0.00	0.00	94.00
FFA	2,436.58	0.00	556.40	1,880.18
Science Club	300.12	0.00	0.00	300.12
TLC	1,399.81	0.00	0.00	1,399.81
Spirit Club	419.52	0.00	0.00	419.52
Student Council	1,410.92	0.00	0.00	1,410.92
Skills USA	0.57	0.00	0.00	0.57
Spanish Club	973.67	0.00	0.00	973.67
Agriculture	105.38	0.00	0.00	105.38
Choir & Music	51.67	0.00	0.00	51.67
Drama	56.80	0.00	0.00	56.80
Photography Club	179.00	0.00	0.00	179.00
STLP	562.23	0.00	0.00	562.23
Diesel Mechanics	337.91	0.00	0.00	337.91
Family & Consumer Science	740.99	0.00	0.00	740.99
Signs	740.58	0.00	241.44	499.14
Math	104.51	0.00	0.00	104.51
Technology Education	242.29	0.00	0.00	242.29
LCHS Sportsman Club	433.30	0.00	0.00	433.30
Welding	215.22	0.00	0.00	215.22
Athletics	1,638.10	0.00	0.00	1,638.10
Cheerleaders	1,689.03	0.00	0.00	1,689.03
Yearbook	17,659.72	0.00	11,017.12	6,642.60
Concessions	3,286.74	0.00	0.00	3,286.74
Baseball	84.00	0.00	0.00	84.00
Scholarship Account	100.00	0.00	0.00	100.00
Softball	0.00	0.00	0.00	0.00
Boys Basketball	791.87	0.00	0.00	791.87
Track	0.02	0.00	0.00	0.02
Girls Basketball	628.12	0.00	0.00	628.12
Class of 2012	0.00	0.00	0.00	0.00
Class of 2013	3,124.63	0.00	0.00	3,124.63
Class of 2014	0.00	0.00	0.00	0.00
Class of 2015	4,383.14	0.00	0.00	4,383.14
Subtotal	79,548.15	298.61	15,364.89	64,481.87
Less: Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 79,548.15</u>	<u>\$ 298.61</u>	<u>\$ 15,364.89</u>	<u>\$ 64,481.87</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2014

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone	George & Opal Pullen
ASSETS:					
Cash and cash equivalents	\$ 66,350	\$ 14	\$ 735	\$ 410	\$ 18,043
TOTAL ASSETS	<u>\$ 66,350</u>	<u>\$ 14</u>	<u>\$ 735</u>	<u>\$ 410</u>	<u>\$ 18,043</u>
NET POSITION HELD IN TRUST	<u>\$ 66,350</u>	<u>\$ 14</u>	<u>\$ 735</u>	<u>\$ 410</u>	<u>\$ 18,043</u>

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Robert & Margaret Shelby	Lillian Boswell	Mildred Helton Weider	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 52,067</u>	<u>\$ 3,989</u>	<u>\$ 100</u>	<u>\$ (166)</u>	<u>\$ 141,542</u>
<u><u>\$ 52,067</u></u>	<u><u>\$ 3,989</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 141,542</u></u>
<u><u>\$ 52,067</u></u>	<u><u>\$ 3,989</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 141,542</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2014

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone	George & Opal Pullen
REVENUES:					
From local sources:					
Earnings on Investments	\$ 296	\$ 0	\$ 0	\$ 0	\$ 82
Total Revenues	296	0	0	0	82
EXPENDITURES					
Scholarships paid	1,000	0	0	0	250
Total expenditures	1,000	0	0	0	250
Excess (deficit) of revenues over expenditures	(704)	0	0	0	(168)
Net Position Held in Trust at July 1, 2013	67,054	14	735	410	18,211
Net Position Held in Trust at June 30, 2014	<u>\$ 66,350</u>	<u>\$ 14</u>	<u>\$ 735</u>	<u>\$ 410</u>	<u>\$ 18,043</u>

See independent auditor's report and accompanying notes to financial statements

Robert & Margaret Shelby	Lillian Boswell	Mildred Helton Weider	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 260</u>	<u>\$ 7</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 645</u>
<u>260</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>645</u>
<u>2,500</u>	<u>250</u>	<u>500</u>	<u>0</u>	<u>4,500</u>
<u>2,500</u>	<u>250</u>	<u>500</u>	<u>0</u>	<u>4,500</u>
(2,240)	(243)	(500)	0	(3,855)
54,307	4,232	600	(166)	145,397
<u><u>\$ 52,067</u></u>	<u><u>\$ 3,989</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 141,542</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	381000212 & 13	\$ 239,072
Special Education Preschool Grants	84.173	380000212 & 13	16,509
Total Special Education Cluster			<u>255,581</u>
Title I Grants to Local Educational Agencies	84.010	310000212 & 13, 310020212 & 13	350,165
Improving Teacher Quality State Grants	84.367	323000213	69,617
Rural Education	84.358	314000212 & 13	15,753
Career and Technical Education Basic Grants to States	84.048	3710002-13 & 4621332-13	16,123
Twenty-First Century Community Learning Centers	84.287	340000211 & 12	548,065
Race to the Top	84.413	396000211	255
School Improvement Grants	84.377	3100302-12	886
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>1,256,445</u></u>
<u>U.S. Department of Agriculture:</u>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	775000213 & 14	402,695
National School Lunch Program - donated foods (Note B)	10.555	N/A	42,610
School Breakfast Program	10.553	776000513 & 14	175,552
Total Child Nutrition Cluster			<u>620,857</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u><u>620,857</u></u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 1,877,302</u></u>

See accompanying notes to schedule
of expenditures of federal awards

LIVINGSTON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Livingston County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2014 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$ 1,261,362
Total federal grants from page 16	578,247
Donated commodities from page 16	42,610
Receipts coded as negative expenditures	886
Less: Medicaid funds received	<u>(5,803)</u>
Total on page 47	<u>\$ 1,877,302</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School District's Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements, and have issued my report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Livingston County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Livingston County School District in a separate letter dated October 29, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
October 29, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Livingston County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Livingston County School District's major federal programs for the year ended June 30, 2014. Livingston County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Livingston County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Livingston County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Livingston County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Livingston County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Livingston County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky
October 29, 2014

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Livingston County School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Livingston County School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Livingston County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Livingston County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Twenty-First Century Community Learning Centers	84.287
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Livingston County School District did not qualify as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2014**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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and Members of the Board of Education of
Livingston County School District
Smithland, Kentucky

I have audited the financial statements of the Livingston County School District for the year ended June 30, 2014, and have issued my report thereon dated October 29, 2014. In planning and performing my audit of the financial statements of Livingston County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
October 29, 2014

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2014

UNCORRECTED PRIOR YEAR COMMENTS

North Livingston Elementary

When we began the audit of the activity funds in the prior year, the annual financial report was not available, since the ending balances were not in agreement with the bank reconciliation. The financial report was not made available to us until October 8, 2013, although the Red Book states that it should be completed by July 25th. When we received the report, we noted that although the checking account total of \$8,769.32 was in agreement with the bank reconciliation, the activity account grand total at June 30, 2013 was \$11,419.32. The difference of \$2,650 was partially from two mini-grants that were received in a prior year that were posted to the general fund (account 100), as well as being posted to account 685 for \$480 and account 695 for \$350. The remaining difference of \$1,820 was posted to account number 990 and was listed on both the June 30, 2012 balance and the June 30, 2013 balance, but was not actually received and deposited until August, 2013. The activity accounts grand total should agree with the general ledger grand total each month. In the current year, although the annual financial report was prepared and available in a timely manner, we again noted discrepancies in the checking account total and the activity accounts grand total. Details and recommendations are included in the current year comments section.

Also in the prior year, two activity accounts ended the fiscal year with a deficit balance, which is not allowed per Red Book guidelines. In the current year, there were three activity accounts that ended the fiscal year with a deficit balance. Details and recommendations are included in the current year comments section.

Livingston Central High School

In a random sample of 25 cash receipts in the prior year, we noted that copies of multiple receipt forms were rarely included in the file. In the current year, we again noted that supporting documentation for receipts could not be located for several cash receipts. Details and recommendations are included in the current year comments section.

While inventory control worksheets were prepared for concessions in the prior year, the overage of almost \$2,000 was not explained. In the current year, we again noted an excess of approximately \$2,050 that was not explained. Details and recommendations are included in the current year comments section.

CORRECTED PRIOR YEAR COMMENTS

Central Office

Except for one month in the prior year, the sheriff deducted his fee prior to remitting the taxes to the District. In the current year, the sheriff paid the entire amount of taxes to the District and the District paid the fee to the sheriff in accordance with state regulations.

In the prior year, it was noted that the depository for the District stopped paying interest after August 2012. The District Finance Officer and Superintendent began negotiations with the bank. Initially the bank stated that with new federal regulations, no interest could be paid to the District. Upon further questioning, the bank stated that interest could be paid at a certain rate, but that service charges would be assessed on all accounts. In the first month that the bank began paying interest, the service charges exceeded the interest. In a subsequent month, the interest was slightly more than the service charges. The finance officer is monitoring the interest and service charges and will have ongoing discussions with the bank to determine the most feasible options for the District.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2014

CORRECTED PRIOR YEAR COMMENTS (Continued)

North Livingston Elementary

In a random test of 25 cash receipt tickets in the prior year, we noted that three multiple receipt forms were not signed by the person remitting the funds and one other was not signed or dated by anyone. We also noted three receipt tickets that were dated the day after the deposit was made, indicating that the receipt tickets were not completed at the time the funds were remitted. We also noted that four were not deposited in a timely manner as required by Red Book guidelines. In the current year, we noted proper signed documentation for cash receipts and deposits were made in a timely manner.

In a random test of 25 disbursements in the prior year, we noted late fees and finance charges included with four checks that were all payments on credit card bills. Also, one disbursement was not supported by a standard invoice for a refund that was paid. We also noted that each purchase order was either not dated at all or was dated the same date as the check. One purchase order did not have an approval signature. In the current year, we noted proper supporting documentation for disbursements, including approved purchase orders, and that disbursements were paid on a timely basis without late fees or finance charges.

South Livingston Elementary

In a random test of 25 disbursements in the prior year, we noted that the purchase orders for field trips were dated on the same date as the trip. In the current year, we noted purchase orders were completed in a timely manner.

In the prior year, we noted that the inventory control worksheet for basketball concessions were not correctly completed. Deliveries were listed at cost instead of selling price and dates did not appear to be consistent. The dollar amount of the difference between the two sections was significant with no logical explanation. In the current year, a form was developed that was based on the Red Book form and was used to calculate the sections more accurately. Differences were not significant.

Livingston County Middle School

In a random test of 25 disbursements in the prior year, we noted that the purchase orders for several disbursements were dated after the date of the invoice. In the current year, we noted purchase orders were completed in a timely manner.

In the prior year, we noted one credit card for which a sign-out sheet was not completed. In the current year, we noted proper procedures for the use of credit cards.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2014

CORRECTED PRIOR YEAR COMMENTS (Continued)

Livingston Central High School

In the prior year test of cash receipts, four of the receipts were not deposited within the time allowed by the Red Book. In the current year, we noted deposits were made on a timely basis.

In a random sample of disbursements in the prior year, we noted one check written in payment of credit card charges that included travel; however, no travel voucher was in the file. We did not locate an invoice for three disbursements. In the current year, we noted proper supporting documentation for disbursements that were tested.

In the prior year, we also noted purchase orders for four checks were not dated and there was no signature by the person requesting the purchase. In the current year, we noted proper procedures used for purchase orders.

We noted charges on a credit card in the prior year on dates that were not listed on the card sign-out sheet. In the current year, we noted proper procedures when using the credit card.

CURRENT YEAR COMMENTS

North Livingston Elementary School Activity Fund

Annual Financial Report

As in the prior year, we noted that although the checking account total (account 992) of \$13,430.07 was in agreement with the bank reconciliation, the activity accounts grand total at June 30, 2014 was \$16,080.07. The balance was off at June 30, 2014 by \$2,650.00, which is the same amount the balance was off at June 30, 2013. The general fund amount should be \$2,846.30 and the McDonald's Grant should be \$455.04 at June 30, 2014. Someone with technical knowledge of the computer system should assist in correcting these balances.

Management's Response: The principal and the bookkeeper have been trying to identify the cause of the discrepancy and how to fix it. We have called the accounting software company and they can fix it, but we are not sure where to move the funds from. It is possible that this error has been there for several years.

Deficit Balances

Three activity accounts ended the fiscal year with a deficit balance, which is not allowed per Red Book guidelines. We recommend that interfund transfers be authorized in the future so that no fund will end the year with a deficit balance.

Management's Response: These accounts will be closed as they are no longer needed.

Fundraiser Documentation

When reviewing one fundraiser worksheet, we noted that the amount of collections from the fundraiser, after allowing for unsold items, should have been \$6,850. The actual collections from the fundraiser were \$6,533, resulting in a shortage of \$317. The explanation noted on the form was that students did not return product or cash. Better follow-up should be made for shortages of this much. Proper accounting should include recording the quantity of items taken for sale by each person and reconciling that to the money and items returned by person to determine who did not turn in the correct amount.

Management's Response: In the future, we will establish a better system for inventory of the items for sale. The company stated that we could see a loss of about 10%, but we need to have a better system for determining where that loss came from. We are not having any fundraisers during FY 15.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2014

CURRENT YEAR COMMENTS (Continued)

Livingston Central High School Activity Fund

Cash Receipts Procedures

In a random sample of 25 cash receipts, we could not locate supporting documentation for 14 of them, such as multiple receipt forms or copies of checks received. We recommend forms be completed and signed in accordance with Red Book procedures.

Management's Response: Multiple receipt forms will be used for future reference to support documentation for checks/cash received.

Interfund Transfers

Of the nine interfund transfer forms prepared for the year, the transferring sponsor did not sign seven of them to indicate approval. We recommend forms be completed and signed in accordance with Red Book procedures.

Management's Response: The principal had signed all of the approval forms; however, the sponsor and principal did not sign the form together at the correct spot on the form.

Inventory Control Worksheets

We located two inventory control worksheets that were prepared during the year. After correcting mathematical errors on the forms, there was an overage of \$2,053.71, which was not explained. The person in charge of preparing the form should review the proper procedures in order to be able to explain large shortages or overages.

Management's Response: Concession stand sales need to show a profit. We are unsure of the correct procedure to complete the form and need advice on the proper completion.

Fundraiser Worksheets

We noted a check written for beef jerky in the amount of \$1,068. We only noted deposits in the amount of \$768 for the sale of the beef jerky. We did not locate a fundraiser form and there was no explanation of why the sales did not cover at least the cost of the items or if there were items leftover that could have been returned to the vendor for a refund. We also noted a check to McCartney Produce for fruit for \$3,463.25 and deposits for the sale of fruit totaled approximately \$4,567. There was no fundraiser worksheet available to determine if the amount collected was reasonable based on the items purchased and sold. We recommend that fundraiser worksheets be used to track receipts and disbursements, which can be compared to anticipated profit.

Management's Response: The sponsor of the group that sold the beef jerky stated that there were several problems associated with this fundraiser, including one variety that was extremely hot and had to be thrown away, two students that did not turn in money or items that claimed they were stolen, items were given away as a reward, and items that expired before they could be returned for credit. This fundraiser will not be done again. For the fruit fundraiser, we did not complete a fundraiser worksheet and realize that we should have.